

TOWNSHIP OF WALKER
Cheboygan County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Walker	County Cheboygan
Fiscal Year End March 31, 2008	Opinion Date July 3, 2008	Date Audit Report Submitted to State July 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF WALKER
Cheboygan County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 3, 2008

To the Township Board
Township of Walker
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Walker, Cheboygan County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Walker's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Walker, Cheboygan County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF WALKER
Cheboygan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

This report covers Walker Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status is sound. We have incurred no debt, we operate on a pay as you go basis. Assets for the General Fund as of March 31, 2008, totaled \$30,854.56. Net assets for all funds as of March 31, 2008 totaled \$98,284.27. Governmental activities had a \$8,672.26 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Building Fund, and the Road Fund.

TOWNSHIP OF WALKER
Cheboygan County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	42 196
Capital Assets	<u>56 088</u>
Total Assets	<u>98 284</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	56 088
Unrestricted	<u>42 196</u>
Total Net Assets	<u><u>98 284</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:	
Fees and Charges for Services	6 424
General Revenues:	
Property Taxes	15 786
Other Taxes	12 188
State Revenue Sharing	20 758
Interest	742
Miscellaneous	<u>96</u>
Total Revenues	<u>55 994</u>
Program Expenses:	
Legislative	13 295
General Government	19 858
Public Safety	4 575
Public Works	<u>9 594</u>
Total Expenses	<u>47 322</u>
Increase in Net Assets	8 672
Net Assets, April 1	<u>89 612</u>
Net Assets, March 31	<u><u>98 284</u></u>

TOWNSHIP OF WALKER
Cheboygan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Building Fund, and the Road Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We have no debt, and our cash position in governmental activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$45,189.26.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$10,343.00 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at (231)328-8727.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	38 479 01
Taxes receivable	<u>3 717 25</u>
Total Current Assets	<u>42 196 26</u>
NON-CURRENT ASSETS:	
Capital Assets	56 905 54
Less: Accumulated Depreciation	<u>(817 58)</u>
Total Non-current Assets	<u>56 088 01</u>
TOTAL ASSETS	<u>98 284 27</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	56 088 01
Unrestricted	<u>42 196 26</u>
Total Net Assets	<u>98 284 27</u>
TOTAL LIABILITIES AND NET ASSETS	<u>98 284 27</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	13 294 97	-	(13 294 97)
General government	19 858 15	2 924 48	(16 933 67)
Public safety	4 575 00	-	(4 575 00)
Public works	9 594 00	3 500 00	(6 094 00)
Total Governmental Activities	<u>47 322 12</u>	<u>6 424 48</u>	<u>(40 897 64)</u>
General Revenues:			
Property taxes			15 786 01
Other taxes			12 187 77
State revenue sharing			20 758 18
Interest			741 93
Miscellaneous			96 01
Total General Revenues			<u>49 569 90</u>
Change in net assets			8 672 26
Net assets, beginning of year			<u>89 612 01</u>
Net Assets, End of Year			<u>98 284 27</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2008

	<u>General</u>	<u>Building</u>	<u>Other Funds (Road)</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	28 868 87	8 900 73	683 66	38 453 26
Taxes receivable	1 959 94	1 757 31	-	3 717 25
Due from other funds	<u>25 75</u>	<u>-</u>	<u>-</u>	<u>25 75</u>
Total Assets	<u>30 854 56</u>	<u>10 658 04</u>	<u>683 66</u>	<u>42 196 26</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>30 854 56</u>	<u>10 658 04</u>	<u>683 66</u>	<u>42 196 26</u>
Total fund equity	<u>30 854 56</u>	<u>10 658 04</u>	<u>683 66</u>	<u>42 196 26</u>
Total Liabilities and Fund Equity	<u>30 854 56</u>	<u>10 658 04</u>	<u>683 66</u>	<u>42 196 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	42 196 26
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	56 905 59
Accumulated depreciation	<u>(817 58)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>98 284 27</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Building</u>	<u>Other Funds (Road)</u>	<u>Total</u>
Revenues:				
Property taxes	8 041 40	7 744 61	-	15 786 01
Other taxes	12 187 77	-	-	12 187 77
State revenue sharing	20 089 00	-	669 18	20 758 18
Charges for services – PTAF	1 959 48	-	-	1 959 48
Charges for services – other	4 465 00	-	-	4 465 00
Interest	613 40	102 76	25 77	741 93
Miscellaneous	40 00	56 01	-	96 01
Total revenues	<u>47 396 05</u>	<u>7 903 38</u>	<u>694 95</u>	<u>55 994 38</u>
Expenditures:				
Legislative:				
Township Board	13 294 97	-	-	13 294 97
General government:				
Supervisor	3 699 00	-	-	3 699 00
Elections	912 15	-	-	912 15
Assessor	2 527 92	-	-	2 527 92
Clerk	5 435 19	-	-	5 435 19
Board of Review	416 03	-	-	416 03
Treasurer	5 815 00	-	-	5 815 00
Building and grounds	200 00	-	-	200 00
Cemetery	720 00	-	-	720 00
Public safety:				
Fire protection	4 575 00	-	-	4 575 00
Public works:				
Highways and streets	-	-	2 000 00	2 000 00
Sanitation	7 594 00	-	-	7 594 00
Capital outlay	-	10 343 00	-	10 343 00
Total expenditures	<u>45 189 26</u>	<u>10 343 00</u>	<u>2 000 00</u>	<u>57 532 26</u>
Excess (deficiency) of revenues over expenditures	<u>2 206 79</u>	<u>(2 439 62)</u>	<u>(1 305 05)</u>	<u>(1 537 88)</u>
Other financing sources (uses):				
Operating transfers in	-	5 000 00	-	5 000 00
Operating transfers out	(5 000 00)	-	-	(5 000 00)
Total other financing sources (uses)	<u>(5 000 00)</u>	<u>5 000 00</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2 793 21)	2 560 38	(1 305 05)	(1 537 88)
Fund balances, April 1	<u>33 647 77</u>	<u>8 097 66</u>	<u>1 988 71</u>	<u>43 734 14</u>
Fund Balances, March 31	<u>30 854 56</u>	<u>10 658 04</u>	<u>683 66</u>	<u>42 196 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (1 537 88)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(132 86)
Capital Outlay	<u>10 343 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>8 672 26</u></u>
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TOWNSHIP OF WALKER
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Walker, Cheboygan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Walker. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.9510 mills, and the taxable value was \$7,427,139.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$250.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	39 years
Furniture and equipment	5-12 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>38 479 01</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	38 479 01
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>38 479 01</u>

The Township of Walker did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	2 000 00	-	-	2 000 00
Buildings	44 262 59	10 343 00	-	54 605 59
Equipment	300 00	-	-	300 00
Total	46 562 59	10 343 00	-	56 905 59
Accumulated Depreciation	(684 72)	(132 86)	-	(817 58)
Net Capital Assets	<u>45 877 87</u>	<u>10 210 14</u>	<u>-</u>	<u>56 088 01</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$4,223.08.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Walker does not issue building permits. Building permits are issued by the County of Cheboygan.

TOWNSHIP OF WALKER
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>25 75</u>	Current Tax Collection	<u>25 75</u>
Total	<u>25 75</u>	Total	<u>25 75</u>

Note 10 – Budget Variances

During the fiscal year ended March 31, 2008, the Township incurred the following budget variances:

<u>Fund/Activity</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
Township Board	13 276 00	13 294 97	18 97
Supervisor	3 432 00	3 699 00	267 00
Elections	300 00	912 15	612 15
Assessor	2 517 33	2 527 92	10 59
Clerk	5 102 21	5 435 19	332 98
Treasurer	5 498 63	5 815 00	316 37
Building and grounds	-	200 00	200 00

Note 11– Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Building	<u>5 000 00</u>	General	<u>5 000 00</u>

TOWNSHIP OF WALKER
Cheboygan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	5 700 00	5 700 00	8 041 40	2 341 40
Other taxes	12 655 24	12 655 24	12 187 77	(467 47)
State revenue sharing.	20 000 00	20 000 00	20 089 00	89 00
Charges for services – PTAF	-	-	1 959 48	1 959 48
Charges for services – other	5 200 00	5 200 00	4 465 00	(735 00)
Interest	200 00	200 00	613 40	413 40
Miscellaneous	50 00	50 00	40 00	(10 00)
Total revenues	<u>43 805 24</u>	<u>43 805 24</u>	<u>47 396 05</u>	<u>3 590 81</u>
Expenditures:				
Legislative:				
Township Board	13 276 00	13 276 00	13 294 97	18 97
General government:				
Supervisor	3 432 00	3 432 00	3 699 00	267 00
Elections	300 00	300 00	912 15	612 15
Assessor	2 517 33	2 517 33	2 527 92	10 59
Clerk	5 102 21	5 102 21	5 435 19	332 98
Board of Review	468 00	468 00	416 03	(51 97)
Treasurer	5 498 63	5 498 63	5 815 00	316 37
Building and grounds	-	-	200 00	200 00
Cemetery	2 500 00	2 500 00	720 00	(1 780 00)
Unallocated	500 00	500 00	-	(500 00)
Public safety:				
Fire protection	4 575 00	4 575 00	4 575 00	-
Public works:				
Highways and streets	2 000 00	2 000 00	-	(2 000 00)
Sanitation	8 000 00	8 000 00	7 594 00	(406 00)
Total expenditures	<u>48 169 17</u>	<u>48 169 17</u>	<u>45 189 26</u>	<u>(2 979 91)</u>
Excess (deficiency) of revenues over expenditures	<u>(4 363 93)</u>	<u>(4 363 93)</u>	<u>2 206 79</u>	<u>6 570 72</u>
Other financing sources (uses):				
Operating transfers out	(3 000 00)	(3 000 00)	(5 000 00)	(2 000 00)
Total other financing sources (uses)	<u>(3 000 00)</u>	<u>(3 000 00)</u>	<u>(5 000 00)</u>	<u>(2 000 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7 363 93)</u>	<u>(7 363 93)</u>	<u>(2 793 21)</u>	<u>4 570 72</u>
Fund balance, April 1	<u>17 917 80</u>	<u>17 917 80</u>	<u>33 647 77</u>	<u>15 729 97</u>
Fund Balance, March 31	<u>10 553 87</u>	<u>10 553 87</u>	<u>30 854 56</u>	<u>20 300 69</u>

TOWNSHIP OF WALKER
Cheboygan County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	-	-	7 744 61	7 744 61
Interest	-	-	102 76	102 76
Miscellaneous	-	-	56 01	56 01
Total revenues	-	-	7 903 38	7 903 38
Expenditures:				
Capital outlay	10 557 64	10 557 64	10 343 00	(214 64)
Total expenditures	10 557 64	10 557 64	10 343 00	(214 64)
Excess (deficiency) of revenues over expenditures	(10 557 64)	(10 557 64)	(2 439 62)	8 118 02
Other financing sources (uses):				
Operating transfers in	-	-	5 000 00	5 000 00
Total other financing sources (uses)	-	-	5 000 00	5 000 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(10 557 64)	(10 557 64)	2 560 38	13 118 02
Fund balance, April 1	10 557 64	10 557 64	8 097 66	(2 459 98)
Fund Balance, March 31	-	-	10 658 04	10 658 04

TOWNSHIP OF WALKER
Cheboygan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	2 720 00
Supplies	1 052 00
Dues	285 66
Professional services	915 00
Pension	4 223 08
Insurance	3 436 00
Miscellaneous	663 23
	<u>13 294 97</u>
Supervisor:	
Wages	3 532 00
Supplies	167 00
	<u>3 699 00</u>
Elections:	
Wages	560 00
Supplies	352 15
	<u>912 15</u>
Assessor:	
Contracted services	<u>2 527 92</u>
Clerk:	
Wages	4 860 00
Wages – Deputy	370 00
Supplies	123 19
Transportation	82 00
	<u>5 435 19</u>
Board of Review:	
Wages	<u>416 03</u>
Treasurer:	
Wages	4 846 00
Wages – Deputy	259 00
Supplies	632 73
Transportation	77 27
	<u>5 815 00</u>
Building and grounds:	
Rent	<u>200 00</u>
Cemetery:	
Contracted services	<u>720 00</u>
Fire protection:	
Contracted services	<u>4 575 00</u>
Sanitation:	
Wages	2 520 00
Contracted services	5 074 00
	<u>7 594 00</u>
Total Expenditures	<u>45 189 26</u>

TOWNSHIP OF WALKER
Cheboygan County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>10 80</u>	<u>177 965 72</u>	<u>177 950 77</u>	<u>25 75</u>
<u>Liabilities</u>				
Due to other funds	10 80	15 040 32	15 025 37	25 75
Due to others	<u>-</u>	<u>162 925 40</u>	<u>162 925 40</u>	<u>-</u>
Total Liabilities	<u>10 80</u>	<u>177 965 72</u>	<u>177 950 77</u>	<u>25 75</u>

TOWNSHIP OF WALKER
Cheboygan County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>10 80</u>
Cash receipts:	
Property taxes	177 824 65
Interest	<u>141 07</u>
Total cash receipts	<u>177 965 72</u>
Total beginning balance and cash receipts	<u>177 976 52</u>
Cash disbursements:	
Township General Fund	8 982 06
Township Building Fund	6 043 31
Cheboygan County	82 188 30
Inland Lakes School District	69 428 45
Cheboygan Otsego Presque Intermediate School District	11 001 64
Refunds	<u>307 01</u>
Total cash disbursements	<u>177 950 77</u>
Cash in Bank – End of Year	<u>25 75</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 3, 2008

To the Township Board
Township of Walker
Cheboygan County, Michigan

We have audited the financial statements of the Township of Walker for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Walker in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Walker
Cheboygan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants